

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE  
ANNUITY AND PENSION BOARD**

Minutes of the Investment Committee Meeting  
held June 09, 2022 via teleconference during COVID-19

The meeting was called to order at 9:34 a.m.

Committee Members Present:       Matthew Bell  
  James Campbell  
  Deborah Ford  
  Molly King  
  Thomas Klusman, Chair  
  Nik Kovac  
  Aycha Sawa

Committee Members Not Present:   Rudy Konrad, excused

ERS Staff Present:                    Jerry Allen, Executive Director  
  David Silber, Chief Investment Officer  
  Erich Sauer, Deputy Chief Investment Officer  
  Thomas Courtright, Pension Investment Analyst  
  Gust Petropoulos, Deputy Director - Disability  
  Jan Wills, Board Stenographer

Others Present: Sally Haskins, Munir Iman, John Jackson, Callan; Terry Siddiqui, DS Consulting, Inc.; three members of the public called in.

**Approval of UBS Hedge Fund Solutions Guideline Change.** As a matter of information, Committee members received from Mr. Sauer a UBS Guideline Update Memorandum where UBS requested to modify the guidelines for the hedge fund-of-one they manage for CMERS. He noted UBS is requesting to invest up to five percent of assets into strategies that are categorized as “direct trading.” Mr. Sauer said they want to implement co-investments in a more diversified way and UBS wants to put a fund of co-investments into portfolios. He commented that the reason for the guideline change is that within this co-investment fund, UBS does direct trading, so rather than an investment manager implementing the trades for the co-investment, UBS itself implements the trades. Mr. Sauer said Staff had discussions with Callan and UBS and the key takeaway is that the investment ideas are still coming from external managers, and UBS is just doing the trades. He said Staff feels comfortable with UBS doing this and the more diversified approach to co-investments is a better way to do it. He said Staff and Callan are in favor of the guideline change and they recommend that this guideline change be approved.

It was moved by Mr. Campbell, seconded by Ms. King, and unanimously carried, to approve the Approval of UBS Hedge Fund Solutions Guideline Change.

**Callan Real Estate Presentation.** As a matter of information, Committee members received from Callan a Real Estate Performance Review booklet. Ms. Haskins and Mr. Iman gave a presentation on a Market Review and discussed the U.S. Private Real Estate Market Trends. They also provided

a Portfolio Summary and discussed Real Estate Objectives and Purpose, Real Estate Portfolio Summary, Significant Progress Made in Repositioning the Portfolio, Real Estate Portfolio Diversification, Portfolio Returns Above Benchmark in Recent Periods, Returns by Style, First Quarter 2022 Core Fund Portfolio Allocation, and Conclusions & Recommendations. Mr. Silber added that Callan's recommending a fifth Core real estate manager to be added so CMERS can reduce its allocation to Industrial and be cognizant of manager concentration. He said Callan will create a manager search profile that will be discussed at the September Investment Committee meeting.

Mr. Klusman advised that the Investment Committee may vote to convene in closed session on the following items (II. and III.) as provided in Section 19.85(1)(e), Wisconsin State Statutes, to deliberate or negotiate the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. The Investment Committee may then vote to reconvene in open session following the closed session.

It was moved by Mr. Bell and seconded by Ms. King to convene in closed session. The motion carried by the following roll call vote: AYES: Mses. Ford, King, and Sawa; Messrs. Campbell, Klusman, Kovac, and Bell. NOES: None.

The Committee convened in closed session at 10:01 a.m.

Mr. Campbell left the meeting at 10:10 a.m.

The Committee reconvened in open session at 10:20 a.m.

**Approval of Recommendation regarding investment in Bryanston Retail Opportunity Fund, L.P.** It was moved by Ms. Ford, seconded by Mr. Bell, and unanimously carried, to approve the Approval of Recommendation regarding investment in Bryanston Retail Opportunity Fund, L.P.

**Approval of Real Estate Investment Policy Statement Update.** As a matter of information, Committee members received a redlined and updated copy of the June 2022 Real Estate Investment Policy Statement. Mr. Silber noted the guidelines have a maximum allocation exposure to Private Real Estate of 10%. He said Callan's presentation showed the Fund's Private Real Estate allocation was under 10% as of December 31, 2021, but Mr. Silber commented that with market movements and continued good returns in Private Real Estate since the beginning of the year, the Fund is now projected to be over a 10% allocation. Mr. Silber said Callan and Staff want to propose a new approach to the minimum and maximum range to Private Real Estate. He said Private Real Estate makes up 70% of the Fund's Real Assets allocation and there is already a Real Assets minimum range of 10% to a maximum of 16%. Mr. Silber said Private Real Estate is illiquid, lags, and that going forward it makes sense to solely use the total Real Assets range and to no longer use a Private Real Estate minimum and maximum range. He noted the target in the Real Estate Investment Policy Statement would change from 7.7% to 9.1% to match the 9.1% already being used in the Fund's benchmark within the Fund's Statement of Investment Policy. He said the guidelines were not changed earlier as 2% was set aside for infrastructure, of which implementation was subsequently paused by the Committee.

It was moved by Mr. Bell, seconded by Mr. Kovac, and unanimously carried, to approve the Approval of Real Estate Investment Policy Statement Update.

**Approval of Statement of Investment Policy Update.** As a matter of information, Committee members received a redlined and updated copy of the June 2022 Statement of Investment Policy Update. Mr. Silber noted the Private Real Estate minimum and maximum ranges were eliminated to be consistent with the Real Estate Investment Policy Statement previously discussed. He also commented that Direct Trading within the UBS guideline was changed to reflect a range of 0-5% as previously discussed.

It was moved by Mr. Bell, seconded by Ms. Ford, and unanimously carried, to approve the Approval of Statement of Investment Policy Update.

**Chief Investment Officer Report.** Mr. Silber noted that the Public Equity Structure – Phase 2 will be presented at the September Investment meeting. Mr. Silber commented that the Hedge Fund of Funds contract negotiations are ongoing. Mr. Silber added that the Fund value as of June 8 is estimated to be \$5.93 billion. He said the May estimate is 0.9% and the May benchmark is 0.2%. He said the December 31, 2021 Private Equity statements are coming in now from a few more managers, and those are likely to impact the final performance reported by the custodian for the month of May. Mr. Silber said if Private Equity and Real Estate are excluded, the Fund is in line with the benchmark for the first week in June. He said the Fund's return year-to-date is estimated to be -3% and the benchmark return is -5.6% year to date, through June 8. Discussion ensued.

### **Informational.**

**1<sup>st</sup> Quarter 2022 Performance Report.** As a matter of information, Committee members received the 1<sup>st</sup> Quarter 2022 Performance Report dated June 9, 2022.

**Callan 1<sup>st</sup> Quarter 2022 Performance Report.** As a matter of information, Committee members received from Callan the 1st Quarter 2022 Performance Report for CMERS dated March 31, 2022.

It was moved by Mr. Bell and seconded by Ms. Ford to adjourn the meeting.

There being no further business, Mr. Klusman adjourned the meeting at 10:45 a.m.

Bernard J. Allen  
Secretary and Executive Director

**NOTE:** All proceedings of the Annuity and Pension Board Meetings and related Committee Meetings are recorded. All recordings and material mentioned herein are on file in the office of the Employees' Retirement System, 789 N. Water Street, Suite 300.)